



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: February 1, 2013

IBA Report Number: 13-05

Budget Committee Docket Date: February 6, 2013

Item Number: 4

Open Discussion on Developing the FY 2014 City Council Budget Priorities Resolution

OVERVIEW

On Wednesday, March 13, 2013 the Budget and Finance Committee will be reviewing a draft FY 2014 City Council Budget Priorities Resolution and forwarding it to City Council for its consideration on Monday, March 18, 2013. Following City Council review and adoption, the resolution will be submitted to the Mayor to guide him as he develops his FY 2014 Proposed Budget. The City Council has developed a Budget Priorities Resolution and provided it to the Mayor each year since 2006 as a way to publicly articulate the City Council's vision, priorities and goals for the future prior to the issuance of the Mayor's Proposed Budget.

Next week Council President Todd Gloria (Budget and Finance Committee Chair) will be issuing a memo to members of the Council requesting you to submit your FY 2014 budget priority memos to him by Friday, March 1, 2013. The IBA will then compile the individual Council priorities into one document to emphasize common themes and goals amongst the Council that will form the basis for draft resolution. The IBA will present this draft for Budget and Finance Committee review and editing at the meeting of March 13, 2013.

The purpose of this item today is to start the discussion for development of the FY 2014 resolution. To facilitate this we have provided as Attachment 1, the "FY 2013 City Council Budget Priorities" report from the IBA (issued March 15, 2012) which served as the foundation for last year's resolution. In Attachment 2 we have provided a list of priorities included in last year's memos that Council members were interested in pursuing but were either longer term in nature or did not fit squarely within the common themes identified in the resolution.

In Attachment 3 we have provided a matrix that was developed at the end of the FY 2013 budget process showing which of the Council priorities identified in the resolution were addressed in the FY 2013 Budget, and at what stage of the budget they were included: Mayor's Proposed Budget (April); Mayor's May Revise; or IBA Final Recommended Modifications (June).

Budget and Finance Committee members may find these materials helpful as you begin your deliberation of budget priorities for FY 2014.



Andrea Tevlin
Independent Budget Analyst

Attachments:

1. IBA Report 12-12 REV entitled "FY 2013 City Council Budget Priorities", issued March 15, 2012
2. Additional Council Budget Priorities Included in Memos Not Addressed in FY 2013 Budget
3. Results of Council Budget Priorities Resolution



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Date Issued: March 15, 2012**IBA Report Number:** 12-12 REV**City Council Docket Date:** March 19, 2012**Item Number:** 150

FY 2013 City Council Budget Priorities

OVERVIEW

On November 8, 2011, the City Council adopted the schedule of key dates for the Fiscal Year 2013 budget development process, which included hearings for Council input into the process. Budget & Finance Committee Chairman Todd Gloria requested Councilmembers to submit their individual budget priorities for the Fiscal Year 2013 Budget to the Office of the IBA by March 2, 2012.

This report compiles the individual budget priorities of each Councilmember as stated in each memorandum. These memoranda from Councilmembers are provided as Attachment Two to this report. Common themes have been identified to represent the budget priorities of the entire City Council. These themes will serve as the basis for the Budget Priorities Resolution to be adopted by City Council, and subsequently forwarded to the Mayor for his consideration as he develops the FY 2013 budget.

The Budget and Finance Committee reviewed the priorities compiled by our office from all eight Councilmember memoranda, and provided additional input and revisions to the priorities and outcome measures attached to this report. Committee member input has been incorporated into this revised report for City Council review and discussion at its meeting on March 19, 2012. The IBA requests that Council provide any additional input on these priorities highlighted below prior to adoption of the priorities resolution and submission of this report to the Mayor for his consideration in the FY 2013 Proposed Budget.

FISCAL/POLICY DISCUSSION

FY 2013 City Council Budget Priorities

The Councilmember memoranda focused on continuing to provide increased services to the citizens of San Diego through efficiencies and effectiveness. Another theme consistent throughout was the continued emphasis on responsible and transparent governance and fiscal stability. As stated in Councilmember Todd Gloria's memorandum, the primary goal for the

continued responsible governance is to assure the City never faces a structural budget deficit again. To achieve these goals, our Office continues to emphasize the eleven guiding principles adopted by City Council on February 22, 2010 (Attachment Three) for eliminating the structural budget deficit, including the maintenance of sufficient reserves.

In reviewing the memoranda submitted by each Councilmember, it became clear that many areas were consistently mentioned as budgetary priorities, either specifically or that could be captured in one of the following six categories:

Funding of Public Safety

Adequate public safety spending for Fire-Rescue, Police, Lifeguards, and Neighborhood Code Compliance has been of significant Council concern during budget discussions, and the majority of Councilmembers have once again reflected this in their priorities. Priorities relating to funding of public safety in the memoranda include the following:

- Restoration of civilian positions within the Police Department (including Community Service Officers and Investigative Aides) to allow sworn officers to return to patrol duties
- Support for increasing 15 police recruits in the April academy as outlined in the FY 2012 Mid-Year Budget Monitoring Report. There is also support for a further increase in both Police and Fire-Rescue recruits / academies in FY 2013
- Restoration of previous Lifeguard cuts, including: 3.0 lifeguard positions, for training and outreach
- Review of the current capacity of the Neighborhood Code Compliance program, and providing additional funding to this division if they are unable to achieve desired service levels
- Consideration of implementing recommendations included in the Citygate Report for additional Fire-Rescue department resources
- Councilmembers have also supported the Mayor's recommendation for the final \$2.7 million investment in the fire alert system in FY 2012 to improve public safety and response times

Continued Restoration of Service Levels

Due to the extreme budget constraints faced by the City after the onset of the economic recession, service levels throughout all City departments were reduced to balance the General Fund budget. As evidenced by the identified surplus in the FY 2012 Mid-Year Budget Monitoring Report, revenues have increased above budgeted amounts and a corresponding increase in revenues can be reasonably assumed for FY 2013 above previous levels forecasted in the latest Five-Year Financial Outlook. Based on the projected continued increase in revenues, Councilmembers have identified potential restoration of services in addition to possible efficiencies that would allow increased service levels. Some of these items included in the memoranda are as follows:

- Maintain and possibly increase the hours restored for Park & Recreation and Library in FY 2013 (increased in the FY 2012 Mid-Year Report)
- High vacancies reported to Council in the Library and Park & Recreation departments should be aggressively addressed through streamlining to allow proper service levels with proposed expanding hours
- Continue reforms and efficiencies in every department to create the highest service levels possible at the best cost

- Evaluation of “Express Service” model for each library to allow the same staff levels to expand hours beyond the level restored in the FY 2012 Mid-Year Report

Investment in Streets and Public Assets

The City has identified approximately \$900 million in deferred capital backlog of projects. Addressing these deferred capital projects in the most fiscally prudent manner is a Council priority in FY 2012, with both Committee and Council actions underway for the financing and selection of capital projects to be undertaken. Based on responses included in the memoranda, this remains a top priority for FY 2013. Councilmember memoranda supported increased cash funding for deferred capital projects, including streets and other infrastructure. This includes support for the Office of the IBA’s recommendation to request the Mayor to include up to \$8.3 million from FY 2012 Mid-Year surplus for additional cash funding for deferred capital projects in the FY 2013 Proposed Budget. This would achieve the “status quo” O&M spending level of \$54.1 million.

New Innovations and Partnerships

Numerous Councilmembers identified new initiatives and ways to benefit the City and General Fund by expending or creating new opportunities. Some of these items in the Council memoranda include:

- Look into the continued use of volunteers to supplement City services where possible
- Find public / private partnerships that would benefit the City through potential cost savings and efficiencies
- Expansion of city services online for businesses and individuals (possible use of anticipated IT contract savings)
- Converting work hours shifts to 4/10 or 9/80 for positions that are not public safety related
- Continued managed competition processes to create savings and more efficient services to citizens of San Diego
- Continuation of marketing partnership program for new revenue sources

Economic Development Replacement

With the State’s elimination of redevelopment programs, the City Council has emphasized finding ways to create economic stimulus in local communities as a budget priority for FY 2013. Although the fiscal impact to the City based on the Redevelopment Agency’s dissolution is currently unknown, replacing the positive impact it had on the City and additional programs that were identified in the memoranda to spur economic development include:

- Funding sufficient resources in FY 2013 to allow neighborhoods to establish special assessment districts so residents can determine the level of services they choose
- Community plan update funding to create long term planning to spur development
- Reduction of permit fees for responsible businesses while penalizing negligent businesses
- Provide continued opportunities for local green businesses

One-Time Items

The following one-time funding items, which have no recurring impact on the City’s General Fund, were identified by Councilmembers in their memoranda:

- Funding for a new Fire-Rescue multi-purpose rescue boat to provide core life safety services
- Approximate \$0.5 million funding for the Neil Good Day Center for homeless services to continue operations to provide San Diego's homeless population certain benefits.
- Prioritization of the implementation of the Supplier Relationship Management module in SAP, and if budget allows, the implementation of a full bidder registration system beyond SRM
- Funding for new Police Department technologies that would allow increased public safety through communication and other means

City Council Outcome Measures

On February 3 and March 14, 2012 the Budget and Finance Committee discussed a concept regarding the City Council identifying a focused subset of City performance measures, from the City's 279 existing measures, or new measures if necessary, which best represent City Council priorities and policies. Committee members expressed strong support for this idea and requested the IBA to obtain feedback from individual City Council members regarding specific measures. The Committee emphasized the importance of focusing on meaningful outcome-based measures which will give policy makers and the public the tools to assess effectiveness in addressing issues pertaining to quality of life in our community. The Committee also emphasized that this subset should not replace the 279 department measures which are vital to assessing efficiency and effectiveness of departmental operations.

The attached list of 66 performance measures (Attachment One) have been selected to represent City Council priorities in five broad areas: Community Services; Business and Economic Development; Infrastructure Maintenance and Enhancement; Environment and Sustainability; and Efficient, Effective, and Economical Government. As part of the FY 2013 Budget Priorities Resolution the Council requests the Mayor to join with them in embracing these priority measures by consistently tracking these, along with his other departmental measures, and making them highly visible to the public by publishing them in the Executive Summary of the FY 2013 final budget document, the City's website, and other public areas.

CONCLUSION

It is recommended that the City Council review and approve, or amend as desired, the budget priorities highlighted in this report, which will serve as a basis for the FY 2013 City Council Budget Priorities Resolution. We also recommend that the attached City Council Outcome Measures be reviewed and included as part of this resolution.



Seth Gates
Fiscal & Policy Analyst



APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments: 1. City Council Outcome Measures
2. Councilmember Memorandums
3. Guiding Principles for Elimination of the Structural Budget Deficit

ADDITIONAL COUNCIL BUDGET PRIORITIES INCLUDED IN MEMOS NOT ADDRESSED IN FY 2013 BUDGET

In addition to providing feedback on budget priorities for the FY 2013 budget, individual Council memos addressed a number of longer range budget and policy issues the City should continue to pursue:

- Alternative staffing models for flexing library hours to provide expanded service to those library branches with highest use at no additional cost to the General Fund;
- Placing additional City forms and services online (permit history for the Development Services Department) and making the City's website more business and user friendly;
- Research potential additional funding to increase cash fund of CIP from the close-out of CIP projects;
- Updated Public Facilities Financing Plans for CIP prior to the development of the FY 2014 budget;
- Continued investment in economic development projects to help facilitate the creation of local jobs;
- Working towards implementation of the Citygate Working Group five year plan, with a possible public safety bond issuance approved by the citizens of San Diego to properly implement recommendations;
- Implementation of an alternative or flexible working schedule (i.e. 4/10/5);
- Neighborhood Code Compliance Department Graffiti Removal Team consolidation with the Transportation & Storm Water Department's Graffiti Removal Team to realize efficiencies and increase oversight;
- Aggressively fill vacant positions throughout the City and find efficiencies in recruitment process to ensure staff is at budgeted levels;
- Investigate raising the goal for the General Fund reserve level to 10.0 percent, continue to review and establish prudent reserve goals;
- Continuing to strive for increased transparency, efficiency, and innovation (i.e. implement ongoing improvements to the CIP website);
- Providing sufficient resources for compliance with mandates and other best practices, such as producing audits and maintaining prudent internal controls on financial transactions;
- Continued investment in City streets and other public assets with possibility of additional revenue beyond forecasted levels utilized for deferred maintenance;
- Pursuing alternative service delivery methods, efficiency improvements, and eliminating service duplications through a regional consolidation of services;
- Implementation of DROP cost neutrality through eliminating the DROP interest rate, increase contribution rates for participants to maximum allowable rate, and reducing participant salaries by an equal amount to the pension paid out to the participant;

- Continued pursuit of cost savings through use of volunteers and public-private partnerships.

RESULTS OF COUNCIL BUDGET PRIORITIES RESOLUTION					
PRIORITY AREA		PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
FUNDING OF PUBLIC SAFETY					
1.	Restoration of civilian positions within Police Department			√	Police Department to address their five-year staffing plan at PS&NS July 2012, IBA proposal includes five positions hired January 2013
2.	Support for increasing 15 Police recruits in the April 2012 academy				Funded in FY 2012 Budget
3a.	Support for increasing Police recruits/academies		√		Increased from 25 to 30 recruits for FY 2013 for four academies
3b.	Support for increasing Fire-Rescue recruits/academies	√	√		One new academy funded in Proposed Budget, second academy in May Revise
4.	Restoration of previous Lifeguard cuts			√	IBA proposal includes three positions
5.	Additional funding for the Neighborhood Code Compliance program if unable to achieve desired service levels		√		Existing Graffiti program funding was eliminated in Proposed Budget but restored in May Revise
6.	Implement recommendations included in Citygate Report for additional Fire-Rescue resources				See Item 7. Other recommendations will require multi-year funding
7.	Investment of \$2.7 million in the fire alert system				Funded in FY 2012, part of Citygate recommendations
CONTINUED RESTORATION OF SERVICE LEVELS					
8.	Maintain and increase the hours restored for Park & Recreation and Library	√	√		FY 2012 restorations continued in FY 2013 for both; and additional 3 Library hours funded in May Revise for branch libraries, 5 hours for Central Library
9.	Aggressively address vacancies in Library and Park & Recreation				Underway by departments
10.	Continue reforms and efficiencies in all departments	√			
11.	Evaluate alternative service models for branch libraries				Under study by the Business Office, per Councilmember Zapf's memo IBA will work with the Mayor's Office on this matter
INVESTMENT IN STREETS AND PUBLIC ASSETS					
12.	Increase funding for deferred capital projects	√			Five-Year Funding Plan adopted by Council and included in FY 2012 and FY 2013 budgets
13.	Include up to \$8.3 million from FY 2012 surplus for additional cash funding for deferred capital projects		√		Deferred capital cash funding increased from \$45.8 million in Proposed Budget to \$54.1 million in May Revise per Council action

(CONTINUED)					
	PRIORITY AREA	PROPOSED BUDGET	MAY REVISE	IBA PROPOSED	COMMENTS
NEW INNOVATIONS AND PARTNERSHIPS					
14.	Continued use of volunteers to supplement City services	√			New Volunteer Coordinator position funded in FY 2013
15.	Find public / private partnerships that would benefit the City through cost savings and efficiencies				
16.	Expansion of City services online for businesses and individuals	√			Positions added in Treasurer's Office to implement online permitting in FY 2013
17.	Convert work hour shifts to 4/10 or 9/80 for non-public safety positions				ESD has achieved significant savings through 4/10 largely through more efficient collections routes, studies may be necessary in other departments before implementing
18.	Continue managed competition processes	√			General Fund savings of \$3.4 million included in FY 2013 for Fleet, Street Sweeping and Publishing Services
19.	Continuation of marketing partnership program for new revenue sources	√			\$600,000 revenue included, wi-fi a new area of focus for FY 2013
ECONOMIC DEVELOPMENT REPLACEMENT					
20.	Funding for sufficient resources to allow neighborhoods to establish special assessment districts or other initiatives			√	IBA proposal includes \$250,000 in seed money for neighborhood redevelopment initiatives
21.	Fund community plan updates		√		\$670,000 in General Funds budgeted in FY 2013
22.	Reduce permit fees for responsible businesses				
23.	Continue to provide opportunities for local green businesses				LU&H amendment to Council Policy 600-27 increases incentives for sustainable energy projects
ONE-TIME EXPENDITURE ITEMS					
24.	Funding for a new Fire-Rescue multi-purpose rescue boat	√			Lease purchase of three vehicles funded in FY 2013
25.	Funding of approximately \$550,000 for the Neil Good Day Center for homeless services		√	√	\$300,000 in May Revise, IBA proposal includes \$250,000
26.	Prioritize the implementation of the Supplier Relationship Management module in SAP	√			\$900,000 carried over from FY 2012, transferred to IT Department for same use, report to B&FC June
27.	Implement a full bidder registration system beyond SRM				P&C to report to B&FC on status in June 2012
28.	Funding for new Police Department technologies	√			Pawn shop enforcement technologies underway